

14 FAH-1 H-400 CONTROL OF PERSONAL PROPERTY

14 FAH-1 H-410 PERSONAL PROPERTY ACCOUNTABILITY

*(CT:PPM-18; 08-05-2013)
(Office of Origin: A/LM)*

14 FAH-1 H-411 ACCOUNTABILITY REQUIREMENTS AT POST

*(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)*

- a. Accountability includes the identification of personal property to be controlled; the assignment of responsibility for the care and maintenance of the personal property; and the determination of the degree of control required. Decisions concerning the degree of control include but are not limited to:
 - (1) Property transactions that will require documentation control;
 - (2) Personal property that will require property records; and
 - (3) Personal property that will require special storage arrangements.
- b. Office moves, which will require major property movement, should be documented so that orderly location changes can be made to the property records. Form DS-584, Nonexpendable Property Transaction, should be used for this purpose. A system should be established to ensure that documents covering such moves are routed to the property records office.

14 FAH-1 H-412 ACCOUNTABILITY CRITERIA

*(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)*

- a. See 14 FAM 414.1-1 for criteria on general classifications of personal property for which property records are mandatory.

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- b. Miscellaneous property items: Procedures for accountability control for several miscellaneous types of personal property items and property actions that often receive inappropriate control and record keeping are:
- (1) Carpet: Records should be kept on cut/bound rugs and rolls of carpet in warehouse stock (it is recommended that rolls of carpet be recorded by the square yard);
 - (2) Transformers, smoke detectors and fire extinguishers:
 - (a) State only: Records should be kept on fire extinguishers regardless of cost. Records should be kept on smoke detectors and transformers when they are issued for residential use; and
 - (b) USAID only: Records must be kept on all nonexpendable property, regardless of cost;
 - (3) Parts: They should be managed by the general services office, and stock issues should be handled in the same manner as expendable supplies (see 14 FAH-1 H-420, Internal Requisitioning Procedures). If incoming parts are generally received by shop personnel, a sub-receiving area should be officially established and receiving reports must be prepared and processed (see 14 FAH-1 H-312.1);
 - (4) Tools: Tools are considered pilferable items. Property records (identifying all items included) must be kept on tool kits assigned to specific individuals, and those individuals must sign a Form DS-584, Nonexpendable Property Transaction. Also keep records for costly tools assigned for general use or shop use (e.g., electric drills and electric saws) and any individual to whom such a tool is issued on a "charge out" basis for more than 24 hours will sign a Form DS-584;
 - (5) Security items: The accountable property officer (APO) should coordinate with the security officer to ensure that some of the program personal property acquired by security and used by security personnel such as cameras, closed circuit TV (CCTV), incinerators, disintegrators, and alarm systems, are not overlooked on the property records. Generally, the Bureau of Diplomatic Security (DS) centrally accounts for security-related personal property that is program-funded, and the post accounts for property funded by the post. For USAID, the post accounts for property funded by any means;
 - (6) Maintain accountability records for any expendable or nonexpendable nonstock storage (property that is generally held in the warehouse for a specific office or program, and that is not part of the general issue stock program), and for turned-in property being held in the warehouse pending final disposition (see 14 FAM 414.1-1). Use the ILMS Asset Management System when appropriate;
 - (7) When it is impractical to affix a bar code label to a heritage asset, take a photograph and maintain the bar code label, and accompanying data in

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ILMS Asset Management. This data should include, but not be limited to, the maker's names and biographies, acquisition documents, donor letters, technical descriptions, appraised values, conservation or restoration treatment reports, and related published material. These records, when available, should be consolidated for permanent retention. Data previously entered in the ILMS Asset Management system should be verified for accuracy; and

- (8) Specific guidelines and procedures for identification and accountability of antiques, works of art, and other cultural heritage assets can be found in the Office of Residential Design and Cultural Heritages (OBO/OPS/RDCH).

14 FAH-1 H-413 PROPERTY RECORDS

14 FAH-1 H-413.1 Purpose

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Property records are maintained for the purposes of property accountability, inventory control, and to establish custodial responsibility.

14 FAH-1 H-413.2 Action Documents to Be Posted

(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)

- a. In addition to posting results of the annual physical inventory and spot-check inventories, other action documents that affect relocation/movement and property records are:
 - (1) Form DS-584, Nonexpendable Property Transaction; and
 - (2) Form DS-132, Property Disposal Authorization and Survey Report.
- b. In the ILMS Asset Management system, all repair work orders involving capitalized property must be recorded in the maintenance records.
- c. The property management officer (PMO) should see that procedures are in place to ensure that copies of all of these documents are forwarded to the property records office upon completion of the action.
- d. The actions must be posted to the property records in a timely manner. Until the records are updated, they will not reflect the accurate quantities or values of property on hand, or property locations.
- e. After the documents have been posted, place them in a pending file awaiting a final review by the accountable property officer (APO). A final review will ensure that all actions have been taken and that the necessary signatures/initials are present.

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14 FAH-1 H-413.2-1 Receiving Reports

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

Form DS-127, Receiving and Inspection Report, is used to confirm and record receipt of incoming property acquired by requisition, purchase order, or transfer document, and to document inventory overages. The property listed on Form DS-127 should be added to the property records.

14 FAH-1 H-413.2-2 Relocation, Redistribution, and Transfer Documents

(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)

Transfer documents are used to record transfers of property out of the Department, and to record the relocation of personal property as a result of office moves, issues from stock, etc. The information on the document should be entered in the property records to reflect the new property locations:

- (1) Form DS-584, Nonexpendable Property Transaction, is used for documenting the relocation/redistribution of personal property within the Department; and
- (2) Form SF-122, Transfer Order Excess Personal Property, is used to record transfers of property between Federal agencies.

14 FAH-1 H-413.2-3 Disposal Documents

(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)

- a. Disposal documents identify and record property that is no longer needed and has been identified for disposal. The property listed on the disposal document should be removed from the property records once the signed Form DS-132, Property Disposal Authorization and Survey Report, is returned to the property records clerk (see 14 FAH-1 H-700).
- b. For USAID: Form DS-132 is prepared and sent to USAID's Bureau for Management, Management Services Office, Overseas Management Division (M/MS/OMD).

14 FAH-1 H-413.2-4 Repair Work Orders

(CT:PPM-1; 08-11-2004)
(Uniform State/USAID)

All repair information on capitalized property must be recorded in the property records. Cost repairs of other equipment items should be captured. Form DS-

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585, Nonexpendable Property Repair Work Order, is used to document repairs to nonexpendable property (see 14 FAH-1 H-423).

14 FAH-1 H-414 STANDARD NOMENCLATURE

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

To be consistent and to ensure compatibility of property action documents, such as replenishment orders, transfer documents, disposal documents, etc., use a standard nomenclature when establishing property records. Standardized data also reduces confusion and makes working with the records easier. Sort the records alphabetically, within categories, and the records should contain adequate descriptive data. The nomenclature generally used by U.S. Government agencies employs the main descriptive noun in the first position, followed by qualifying adjectives describing the general category, material, manufacturer, class (i.e., executive or standard), size, color, etc. If a stock number is associated with the item, it should also be part of the data. Examples of standard nomenclature are:

- (1) DESK, metal, double pedestal, flat top, 1.65m x 1m (66in x 40in), NSN;
- (2) CABINET, filing, metal, 5dr, legal, NSN; and
- (3) CHAIR, swivel, executive, with arms, brown leather, NSN.

14 FAH-1 H-415 ACCOUNTABILITY RECORDS

14 FAH-1 H-415.1 General

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

Documents covering property acquisition and transactions are posted to the accountable property records. These documents (purchase orders, requisitions, transfer documents, and disposal documents) will have a number assigned to them. The purchase order number, for example, will be the allotment and obligation numbers. For FEDSTRIP/MILSTRIP requisitions, the number is a combination of the Activity Address Code, Julian Date, and Line Item Number. When posting property received in transfer from another agency, use the other agency's transfer document number; and when posting disposed property, use the document number indicated on Form DS-132, Property Disposal Authorization and Survey Report.

14 FAH-1 H-415.2 Recording Costs on Property Records

(CT:PPM-1; 08-11-2004)

(Uniform State/USAID)

- a. State only: When recording the cost on accountability records, enter the cost, in U.S. dollars. The cost includes:
- (1) Amounts paid to vendors;
 - (2) Transportation charges;
 - (3) Handling and storage costs (including freight forwarding charges);
 - (4) Labor and other direct or indirect production costs (for goods produced or constructed); and
 - (5) Outside services for designs, plans, or specifications.

NOTE: Purchase orders, contracts, requisitions, etc., will include the item cost and, at times, other related costs. When other costs are not included on the acquisition document, they can be picked up from transportation documents, and invoices and billings submitted later.

- b. USAID only: If there are separate billings from the carrier, the transportation charges are not added to the property records. All packing charges, separately identified as such, are excluded from property records and are not added to the property values.

14 FAH-1 H-415.3 Approved Systems for Maintaining Accountable Property Records

(CT:PPM-18; 08-05-2013)

(Uniform State/USAID)

- a. State only:
- (1) For nonexpendable property: The Integrated Logistics Management System's Asset Management application is the only approved property accountability system for the Department of State; and
 - (2) For expendable supplies: The ILMS Expendable Management System and PASS Expendable Supplies Application are the approved systems.
- b. USAID only: USAID missions will use the ILMS Management System. The State-approved property management system BarScan can also be used until such time as ILMS is deployed at posts.
- c. To ensure the integrity of the Bureau of *the Comptroller and Global Financial Services* (CGFS) financial statements, it is critical that each item reported as capitalized property to CGFS be recorded in ILMS.

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- d. Keep supporting documents such as receiving reports, disposal documents, and transfer documents

14 FAH-1 H-416 PERSONAL CUSTODY RECORDS

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

- a. Specialty property (such as a briefcase, handheld communicator, or tool kit) issued to an employee for his or her exclusive use in the performance of official duties, is handled under a charge-out procedure. Such property is documented on Form DS-584, Nonexpendable Property Transaction, and a charge-out file is maintained until the property is returned.
- b. Employees may be held financially liable for such specialty property if it is stolen, damaged, lost, or destroyed as a result of negligence, improper use, or willful action on the part of the employee.
- c. Refer to 14 FAH-1 Exhibit H-424.3a for preparation of Form DS-584, Nonexpendable Property Transaction, to document a "charge out." Although this exhibit has been prepared to cover a loan, the following preparation for a charge-out action is similar. The data field numbers below correspond to the circled numbers in each appropriate field in 14 FAH-1 Exhibit H-424.3a.

Data Field

[1] Date

The date of assignment.

[3] Action

The date that the issue was made.

[6] Requestor's Name

The name of the individual to whom the property is charged out.

[7] Post/Agency

The name of the agency, if other than State.

[8] Office

The requestor's office.

[9] Room Number

The requestor's room number.

[10] Telephone Number

The requestor's telephone number.

[11] Justification/Remark

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Include any desired comments (e.g., the property is issued to the employee to be used in the conduct of official business).

[12] Authorizing Officer

If the property to be assigned/loaned is permanently assigned to the office in which the requestor is employed, the office supervisor signs as authorizing officer. The accountable property officer (APO) signs if property is taken from stock.

[15] Property Number

If one exists, enter property number.

[16] Serial Number

Enter any serial numbers.

[17] Description

Enter the description(s) of the item.

[18] Quantity

When entering a serialized item, leave this field blank since each line will be a one-item entry. Otherwise, enter the line-item quantity being loaned.

[19] Condition

Enter the appropriate property condition code (see 14 FAH-1 Exhibit H-621.3).

[20] Unit Cost

Cost of each item as recorded in the property records.

[21] Total Cost

Enter the total line-item cost.

[23] Receipt

The individual to whom the property is issued signs and dates.

- d. If an issue is made by the office in which the employee is located from property assigned to the office, Form DS-584, Nonexpendable Property Transaction, is prepared in that office and the supervisor signs as authorizing officer. The supervisor ensures that the employee signs for receipt of property. The original is forwarded to the property office where it is retained in a charge-out file until the property is returned.
- e. If an issue is made from stock, Form DS-584 is prepared in the general services office and the APO signs as authorizing officer. The APO ensures that the employee signs for receipt of property and retains the original in a charge-out file until the property is returned.
- f. When the property is returned, it must be inspected to confirm that it is the property listed on Form DS-584, and to determine its condition. If several items are charged out and only a partial return is made, Form DS-584 must be annotated to indicate which items were returned. When all of the property has

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been returned and accepted, Form DS-584 is discarded.

14 FAH-1 H-417 SUPPLY/EQUIPMENT SUPPORT

(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)

- a. The everyday operation of the post depends upon the ready availability of supplies, equipment, and services. To avoid delays and interruptions to post activities, the accountable property officer (APO) should ensure that effective supply, equipment, and maintenance support operations are in place.
- b. There are basically two ways by which the general services office may provide supplies and equipment to post personnel. The first is to order from the supplier when the item is requested, and the second is to order before it is actually requested and store it to meet future requirements. Material stored to meet future requirements is referred to as stock. Post support operations generally incorporate both a stock program and acquire as-needed services. Prior to the procurement of any items not stocked by the post, or prior to the submission of stock replenishment orders, unneeded property at post and notices of unneeded property available from other posts in the geographic area must be screened to determine whether the items can be supplied from either of these sources.
- c. Since circumstances will vary from post to post, the type of support operation and the extent to which a stock program is used is left to the discretion of the APO. The principal objective is to meet the post's needs adequately and in the most economical manner. When establishing such an operation or reviewing an existing one, the APO must consider that the total cost involved should be kept to a minimum consistent with post's needs.

14 FAH-1 H-418 EXPENDABLE PROPERTY

(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)

Control records must be maintained on items in stock. Depending on the circumstances, expendable property is either delivered to ordering offices from the warehouse/supply room or picked up by the ordering office.

14 FAH-1 H-418.1 Stock Program

(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)

What to stock: Stock refers to material stored to meet future requirements. The decision of whether or not to stock an item involves economic and noneconomic considerations, examples of which are:

- (1) Economic considerations: Is it more economical to stock the item or order it from the supplier when requested by the customer?:
 - (a) Does the item have a shelf life long enough to avoid unnecessary loss?
 - (b) What is the price of the item?
 - (c) Is storage space available?
 - (d) What is cost of acquisition?
 - (e) What is cost of carrying inventory?
 - (f) What is cost of transportation?
- (2) Noneconomic considerations:
 - (a) How essential is the item?
 - (b) How frequent are requests for the item received?
 - (c) Can it be suitably stored?
 - (d) Can the item be acquired locally?
 - (e) Is there a budgetary limitation?
- (3) It would be ideal to be able to give immediate service for every item that the customers may need, but this level of service would require a tremendous investment in the range of inventory items. Therefore, there are many items that should not be stocked but should be ordered from the supplier when requested by the customer; and
- (4) Because supply requirements often change over a period of time, stock control records should be reviewed at least once a year to identify those items that have become inactive or slow moving thereby resulting in an overstock (based on the above criteria for stocking). Items that are inactive should be removed from the stock program. Any excess on hand is disposed of in accordance with regulation.

14 FAH-1 H-418.2 Shelf Life

(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)

- a. Posts with a stock program should attempt to identify items which, because of environmental or climatic conditions, are subject to deterioration or damage

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during storage. Posts should establish a "shelf life" for as many of these items as possible. Past experience with items having such problems can be used as a guide in making judgments. Sometimes package labeling includes shelf-life information.

- b. Below are estimated shelf life periods for some of the items generally used at post that should receive shelf-life attention. The life expectancy represents items kept in good storage conditions. On many items, the shelf life can be extended. Therefore, when the estimated shelf life has expired, the item should be examined and, if warranted, a new estimated shelf life established:

- (1) Adding machine tape, self-imaging, carbonless, 36 months;
- (2) Antifreeze, car/truck, 36 months;
- (3) Battery, nonrechargeable, 12 months;
- (4) Correction fluid, 6 months;
- (5) Disinfectant, 24 months;
- (6) File folder labels, 18 months;
- (7) Filler, wood, 24 months;
- (8) Hand cleaner, 24 months;
- (9) Ink, stamp pad, 24 months;
- (10) Lacquer, 24 months;
- (11) Paint, latex, 24 months;
- (12) Pad, note, adhesive on back, 12 months;
- (13) Paint thinner, 36 months;
- (14) Paper, noncarbon transfer (no carbon required), bond, 36 months;
- (15) Pen, felt tip, 12 months;
- (16) Primer coating, general use, interior/exterior, wood, metal, plastic, 24 months;
- (17) Putty, 24 months;
- (18) Soap, toilet, 24 months;
- (19) Stain, 36 months;
- (20) Sweeping compound, 24 months;
- (21) Tape, pressure-sensitive, 12 months;
- (22) Towel, paper, 60 months;
- (23) Turpentine, 36 months;
- (24) Wax, automobile, 24 months; and
- (25) Wax, floor, 24 months.

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- c. To avoid issuing new stock first and allowing old stock to remain and deteriorate, care should be taken not to commingle new incoming stock with old stock on hand. For bin stock, place new stock in the rear of bin and pull (issue) stock from the front.
- d. The care of supplies to ensure a ready-for-issue condition is an important task. For guidance on the care of supplies in storage, the following information indicates conditions that adversely affect certain types of items stocked by posts abroad:
 - (1) Batteries, dry cell: May be adversely affected when stored where temperature is higher than normal room temperature;
 - (2) Blankets, bristle brushes, and furniture with animal fiber and felt covering: Subject to damage by moths;
 - (3) Canvas items: Will mildew when subject to warm, moist climate;
 - (4) Carpet: Subject to damage by carpet beetles;
 - (5) Hardwood items (ax and mop handles, etc.): Subject to warping when exposed to excessively damp or dry climates;
 - (6) Leather supplies: May be damaged by heat and moisture;
 - (7) Machines, office: May be damaged by dust;
 - (8) Metal products: May rust and corrode when exposed to moisture;
 - (9) Rubber tires: Tend to dry rot quicker when subject to excessive daylight, heat, air in motion, and ozone; and
 - (10) Tape, gummed (including pressure-sensitive and cellophane): May be adversely affected by direct sunlight and heat.

14 FAH-1 H-418.3 Supply Room Operation

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

- a. Depending upon the size of the operation and the location of the warehouse in relation to the offices to be serviced, supply distribution needs for expendables will vary with each post. Because the distance between the warehouse and the offices at most posts prevents employees from picking up supplies from the warehouse, and because delivering small orders of supplies to various offices can be time consuming and inefficient (especially if the post is large or spread out over a wide area), a supply room convenient to all offices is the most generally accepted method of dispersing small quantities of expendable supplies. For economic reasons, schedules are generally established whereby supply rooms are open only at certain times. Requisitions are submitted to the general services office for advanced approval (see 14 FAH-1 H-421.4) and, when the approved requisition is received at the supply room, the requesting

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office is notified when to pick up supplies.

- b. A supply room operation will also reduce the need for employees to maintain large amounts of cupboard stocks--a practice that can result in a waste of both space and supplies. A supply room operation, however, does not eliminate the need for cupboard stocks, which should be limited to what is consumed during a normal 30-day period. Limited cupboard stocks will prevent excessive requisitioning of small quantities.

14 FAH-1 H-419 NONEXPENDABLE AND EXPENDABLE PERSONAL PROPERTY

14 FAH-1 H-419.1 Nonexpendable Personal Property

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

- a. The issue of nonexpendable personal property is not as predictable as is the issue of expendable property. Issue demand is often not consistent and, therefore, not entirely reliable for use in forecasting issue demand. Generally in this circumstance, the tendency is to overstock. Therefore, a reordering system should be established that will prevent carrying an excessive inventory. One approach is not to order stock on the basis of long-term projections but to submit more frequent replenishment orders for stock as needed. Establish a reasonable stocking level (based on several years past usage) and submit replenishment orders only to maintain that level. For example, if the refrigerator level is six and two are issued, reorder the two.
- b. Factors that will have significant influence on stocking levels and replenishment orders are:
 - (1) Storage space: Storage space will play a big part in the items kept in stock and level of stock maintained. Even though all other stocking factors may be favorable, there could be times when a shortage of storage space will limit stocking the levels needed;
 - (2) Lead time: How long does it take to get replenishment stock on hand? If low stock levels are maintained, can larger quantities be acquired within reasonable time periods to allow for planned replacement of obsolete and unusable furniture and equipment?
 - (3) Local acquisition: Can the item be acquired locally? If emergencies arise that stock on hand will not cover, can emergency acquisitions be made in a reasonably short period of time?
 - (4) Essentiality: How essential is the item and what are the consequences of not having it available to meet demands?

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- (5) Inventory cost: What are the administrative costs of acquiring, storing, and maintaining an accountability record for the item? and
- (6) Inventory value: What is the cost of the item? An effort should be made to keep the inventory value as low as possible while still providing adequate customer service.

14 FAH-1 H-419.2 Expendable Personal Property: Stock Control

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(Uniform State/USAID)

Stock control refers to the functions of determining future requirements and controlling the stock inventory to meet those requirements. Controlling the inventory involves maintaining the desired level of stock on hand, reordering the right quantity of stock, and reordering it in time to arrive before stock on hand is depleted but not early enough to cause a serious overstock problem. This is best accomplished by determining a good reordering cycle and establishing minimum and maximum stock levels for each item. The elements described in 14 FAH-1 H-419.2-1 should be given careful consideration, since overstated requirements will result in excess stocks, and understated requirements will result in stock shortages.

14 FAH-1 H-419.2-1 Replenishment Cycle

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

- a. The replenishment cycle is the time period between stock replenishments. Since it is the operating stock that is issued during this period, the length of the cycle depends on how long the operating stock will last before needing replenishment.
- b. Some of the objectives to keep in mind when assigning replenishment cycles are:
 - (1) Keeping the inventory value as low as possible;
 - (2) Providing good customer service; and
 - (3) Keeping the administrative costs of preparing, processing, and monitoring requisitions and purchase orders to a minimum.
- c. An item's characteristics will generally determine what kind of a replenishment cycle it will be assigned. Generally, a replenishment cycle is categorized as a short cycle (1 to 4 months) or a long cycle (greater than 4 months). The following lists contain factors that will influence cycle assignment and show cycle relationship:
 - (1) Short cycle (results in smaller, more frequent orders):

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- (a) Critical;
 - (b) Expensive;
 - (c) High volume; and
 - (d) Short shelf life; and
- (2) Long cycle (results in larger, less frequent orders):
- (a) Inexpensive;
 - (b) Low demand;
 - (c) Low item cost;
 - (d) Low storage requirements;
 - (e) Noncritical; and
 - (f) Long shelf life.

14 FAH-1 H-419.2-2 Computing Future Needs

(CT:PPM-16; 07-19-2012)
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Before stock levels can be established for an item, an estimate must be made of what the future average monthly need will be. The best way to determine this is to find out what the past average monthly issues were for a given period (6 months or 1 year). If the past 6 months are used, total up the issues for those 6 months and convert that amount to a monthly average. For example, if the issue total for that period was 60, the expected future average monthly average would be 10 (60 divided by 6).

14 FAH-1 H-419.2-3 Stock Levels

(CT:PPM-16; 07-19-2012)
(Uniform State/USAID)

- a. Whatever quantity is stocked, it is expected to be reduced at the predicted rate of demand and eventually depleted. Therefore, in order to ensure continuous supply service, stocks must be replenished periodically. In order to know what, when, and how much to reorder, a replenishment plan needs to be established. When establishing a replenishment plan, consider:
 - (1) The number of months in the reordering cycle;
 - (2) How many months it takes to receive supplies after the replenishment order is submitted; and
 - (3) What happens if it takes longer than anticipated to receive the supplies.
- b. To satisfy those requirements, establish an operating stock level (stock that is expected to be issued from one replenishment to the next); a lead-time stock

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level (stock that is expected to be issued from the time a replenishment order is placed until it is received); and a safety stock level (stock which is needed for issue if the lead time and operating stocks are depleted).

- c. If customer requests are being back-ordered for items that cannot be filled, the number of back orders on hand for a given item should also be taken into consideration when calculating quantities to reorder.

14 FAH-1 H-419.2-3(A) Computing Operating Stock Level

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

- a. The number of months in the reordering cycle will determine the quantity of operating stock to be carried. If an item is on a 3-month cycle (reordered every 3 months), it will carry a 3-month operating stock (3 months stock ordered each time). In computing a quantity for the operating level, you will need to know what the average future monthly issue for the item will be.
- b. The following computation represents an item for which the last 6 months issues were used in estimating the operating stock level:

Usage Last 6 Months	Average Usage Per Month	Months in Replenishment Operating Cycle (3)	Stock Required
60	10 (60 divided by 6 months)	3 months times 10	30

The item in this paragraph is to be reordered every 3 months, at which time a quantity of 30 of the item (a 3-month supply) is ordered.

14 FAH-1 H-419.2-3(B) Computing Lead Time Stock Level

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

- a. Lead time is the time period between initiation of stock replenishment action and receipt of the material ordered. The expected lead time for an item can be estimated on the basis of past lead time experience. Generally, a simple average of past lead times will give you a lead-time estimate.
- b. In computing a quantity for the lead time level, you will need to know what the average future monthly issue for the item will be. The stock quantity required during the lead-time period can be determined by multiplying the expected future monthly issue rate by the expected number of months in the lead time.
- c. The following example shows the computation of the lead-time quantity for an item having an average monthly issue of 10 and a lead time of 2 months.

Issues Last 6	Average Lead- Time Usage Per	Months in Lead Time	
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Months	Month	(2)	Stock Required
60	10 (60 divided by 6 months)	2 months times 10	20

14 FAH-1 H-419.2-3(C) Computing Safety Stock Level

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

- a. Due to differences between planned and actual requirements, or planned and actual lead time, emergency situations will arise. The emergency period begins when the operating and lead-time stock levels have been depleted and ends with receipt of the replenishment stock. During that time it is necessary to issue from the safety stock.
- b. Each reorder cycle brings with it a chance that some portion of the safety stock level will be needed, and some possibility that the safety level will not be sufficient to prevent shortages. Generally, the safety level should be sufficient to meet a reasonable amount of the requirements during the emergency period. While the risk of shortages can be greatly reduced by increasing the safety stock level, it would not be economical to make additional investment in safety stock if the chance of shortages is small.
- c. When establishing safety-stock levels, the risk of shortages is not the only consideration. Some of the other considerations that will influence the decision are:
 - (1) Essentiality: How essential is the item and what are the consequences of not having it available to meet demands?
 - (2) Inventory value: What is the cost of the item? How will your safety stock impact your effort to keep the inventory value down?
 - (3) Local acquisition: Can the item be acquired locally? If the need arises, can emergency acquisitions be made in a reasonably short period of time? and
 - (4) Storage space: How will the safety stock impact on storage space available to you?
- d. In computing a quantity for the safety-stock level, you will need to know what the average future monthly issue for the item will be. The stock quantity required for safety-stock purposes can be determined by multiplying the expected future monthly issue rate by the number of months of safety stock to be kept.
- e. The following example shows the computation of the safety-level quantity for an item having an average monthly issue of 10 and a safety-stock level of 1 month.

Issues Last 6	Average Usage	Months in Safety Level	
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Months	Per Month	(1)	Safety Stock
60	10 (60 divided by 6 months)	1 month times 10	10

14 FAH-1 H-419.2-3(D) Minimum and Maximum Levels

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

a. Minimum-stock level:

- (1) The total of the lead time and safety-stock levels for an item constitute the minimum-stock level (reorder point). After all of the operating stock has been issued, the item will be down to the minimum-stock level. A replenishment order should then be placed before the stock falls below the minimum level;
- (2) The following is a computation of quantities for the minimum-stock level for an item with an issue rate of 10 per month, a 2-month lead time, and a 1-month safety stock:

Stock Level	Supply/Month	Minimum Required
Safety (1)	10 (10 per month times 1 month)	30
Lead Time (2)	20 (10 per month times 2 months)	
Total (3)		

- (3) In the example in subparagraph (2) of this section, when the level of stock on hand reaches 30 or below, the stock should be reordered. If the order is placed at the time the stock level reaches 30, there should be 20 on hand to last during the period that the order is being processed and shipped by the supplier (lead time), and 10 on hand as a cushion in case it takes longer than the expected 2 months to receive the stock (safety stock).

b. Maximum-stock level:

- (1) The maximum-stock level is the total of the safety-stock level, the lead-time level, and the operating-stock level. In order to know how much stock to order, you first must establish the maximum level. The combined total of stock on hand and on order should not exceed that level; and
- (2) The following is a maximum-stock level computation for an item on a 3-month reorder cycle with an issue rate of 10 per month and an operating stock of 3 months:

Stock Level	Months of Supply	Stock Required for Maximum Stock Level
Safety	1	10 (10 per month times 1 month)

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Lead Time	2	20 (10 per month times 2 months)
Operating	3	30 (10 per month times 3 months)
Total	6	60

14 FAH-1 H-419.2-3(E) Determining Re-Order Quantity

(CT:PPM-16; 07-19-2012)

(Uniform State/USAID)

- a. The quantity to be ordered is the difference between the maximum-stock level and the total of the stock on hand and on order, plus any existing back orders.
- b. Following is a computation for reordering the above item when the stock balance on hand is zero, the quantity on order is 30, and there are back orders on hand for 8:

Maximum Level	On Hand and On Order	Back Order	Quantity to Be Ordered
60	30	8	38